

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Wiggins Analyst: LuAnna Hass Bill Number: AB 1370
Related Bills: See Legislative History Telephone: 845-7478 Amended Date: August 23, 2001
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Homeowners and Renters Assistance Increase

SUMMARY

This bill would increase the homeowners and renters assistance (HRA) payments 45%. This bill also would return the income levels eligible for assistance to the 2001 calendar year levels prior to the enactment of AB 426 (Stats. 2001, Ch. 156).

In addition, this bill would require the Franchise Tax Board (FTB) to conduct a study of tax forms used by taxpayers who are 65 years of age or older, and make a report of that study to the Legislature on or before January 1, 2002, or as soon thereafter as practicable.

SUMMARY OF AMENDMENTS

The proposed amendments added language to increase HRA assistance payments, as discussed in this analysis.

PURPOSE OF THE BILL

According to the bill, the purpose of the August 22, 2001, amendments is to correct and clarify amendments made by certain provisions of AB 426 (Stats. 2001, Ch. 156) with respect to assistance under the HRA program for the 2001 calendar year and subsequent calendar years.

EFFECTIVE/OPERATIVE DATE

As an urgency statute, this bill would be effective upon enactment and apply to claims filed for the 2001 claim year and each year thereafter.

POSITION

Pending.

ANALYSIS

STATE LAW

State law authorizes FTB to administer several non-tax programs, one of which is the HRA program.

For HRA claimants, existing state law provides partial reimbursement of the previous fiscal year's property taxes on a personal residence paid directly by a homeowner and indirectly by a renter.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Gerald H. Goldberg

09/04/01

Relief for homeowners and renters is based on a percentage of the amount of property tax paid in a given year. The percentage on which the reimbursement amount is based varies inversely with the applicant's income level and ranges from 4% to 96%.

Currently to be eligible for assistance, claimants must be 62 years of age, blind, or disabled. In addition, the claimant's total household income for the prior calendar year cannot exceed an inflation-adjusted maximum amount. Total household income consists of adjusted gross income (as computed for tax purposes) increased by income that is nontaxable for California tax purposes. Also, the gross household income cannot exceed an inflation-adjusted maximum amount. Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion.

Prior to the enactment of AB 426 (Stats. 2001, Ch. 156) the maximum household income amount for 2001 was \$35,251 and the maximum gross household income was \$64,093. As enacted AB 426, for 2001 and later years, appears to increase the income levels by 45%, which would increase the maximum household income to \$51,114 and the maximum gross household income to \$92,935.

Claimants may file for assistance from July 1st through October 15th, inclusive. However, FTB may accept claims through June 30th of the year following the year for which assistance is claimed.

SB 1664 (Stats. 2000, Ch. 60) provided a one-time increase of 150% in homeowners and renters assistance payments for low-income seniors and disabled individuals for claims filed for the 2000 claim year. The maximum homeowners assistance was increased from \$326.40 to \$816 and the maximum renters assistance credit from \$240 to \$600.

THIS BILL

This bill would return the income levels eligible for assistance to the 2001 calendar year levels prior to the enactment of AB 426 (Stats. 2001, Ch. 156). This bill also would provide an increase of 45% in the homeowners and renters assistance payments for low-income seniors and disabled individuals. The increase would apply to claims filed for the 2001 claim year that begins on July 1, 2001, based on income received during the 2000 calendar year and property taxes paid for the 2000/2001 fiscal year and each year thereafter.

The percentage on which the reimbursement amount is based would vary inversely with the applicant's income level and would be increased from the current range of 4% to 96% to a range of 6% to 139%, calculated as follows:

$$96\% \text{ (maximum percentage of assistance)} \times 1.45 \text{ (increase in assistance)} = 139\%$$

The maximum homeowners assistance would be increased from \$326 to \$473, and the maximum renters assistance credit would be increased from \$240 to \$348. These amounts are calculated as follows:

For homeowners assistance, the maximum assistance would be $\$34,000 \text{ (maximum property value)} \times 1\% \text{ (property tax rate)} \times 139\% \text{ (percentage of tax)} = \473

For renters assistance, the maximum assistance would be calculated as $\$250 \text{ (property tax equivalent)} \times 139\% \text{ (percentage of statutory property tax equivalent)} = \348 .

IMPLEMENTATION CONSIDERATIONS

Claimants who have already submitted claims that have been processed have been issued a check reflecting the assistance amount in the HRA booklet. As a result of this bill, a supplemental check will be issued that reflects the amount allowed due to the 45% increase in assistance payments. All claimants who file a claim subsequent to the enactment of this bill will receive the full assistance amount in one check.

The universe of individuals who this bill affects tends to call the service center and visit the district offices at a rate higher than average. Thus customer service impacts will increase significantly as individuals may become confused about the status of their claim and the amount of the assistance.

LEGISLATIVE HISTORY

AB 426 (Cardoza, Stats. 2001, Ch. 156) provided a 45% increase in the income limits for the HRA program. AB 440 (Cardoza, Stats. 2001, Ch. 197) provided an additional \$75 million appropriation for paying HRA claims for the 2001 calendar year. AB 1036 (Pescetti, 2001/2002) would allow mobile homeowners that pay real estate property taxes to file a claim for either homeowners or renters assistance. This bill is in the Senate Revenue and Taxation Committee. AB 385 (Strickland, 2001/2002) would increase the homeowners maximum property value, the renters property tax equivalent, and the household income amounts. This bill is in the Assembly Revenue and Taxation Committee. SB 218 (Dunn, 2001/2002) and SB 854 (Brulte, 2001/2002) would provide an increase of 150% for all future claims that are filed beginning with the 2001 claim year. SB 854 is in the Senate Revenue and Taxation Committee, and SB 218 is in the Assembly Revenue and Taxation Committee.

SB 1664 (Karnette, Stats. 2000, Ch. 60) provided a one-time 150% increase for claims filed for the 2000 claim year and changed the filing dates to submit claims. AB 1636 (Mazzoni, Stats. 1999, Ch. 928) provided that the term "residential dwelling" be expanded to include houseboats and floating homes. SB 1464 (Brulte, 1997/1998) proposed increasing the income limits for the HRA program to properly reflect inflation. This bill remained in Assembly Appropriations, but identical language was enacted in the 1998 Budget Bill, AB 2797 (Machado, Stats. 1998, Ch. 322).

OTHER STATES' INFORMATION

Review of *Colorado, Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York* laws found that only two states have programs that are comparable to the HRA program in California.

Colorado residents that meet certain qualifications are eligible for a grant equal to the amount of the property taxes paid on a residence or mobile home. These qualifications include:

- the taxpayer must be at least 65 years of age or disabled,
- is not claimed as a dependency exemption by another person for Colorado income tax purposes, and
- has income from all sources for the taxable year of less than \$11,000 if single, or in the case of a husband and wife, less than \$14,700.

Minnesota provides a property tax refund, regardless of age, to homeowners and renters whose property taxes are disproportionately high in comparison with their income. If the property tax exceeds an income percentage threshold, a refund is issued that is equal to a percentage of the tax over that threshold.

FISCAL IMPACT

For 2001, it is anticipated that the department will incur costs of \$686,000, which includes 12 personnel years (PY's). The costs are associated with the programming and issuance of a supplemental check, the increase in calls received in the department's call center, and an increase in district office claimant assistance. Ongoing costs are not anticipated as this legislation provides for a permanent increase that would only affect the department in the year of implementation.

In addition, the department is experiencing a deficiency in the HRA program of \$1.9 million. The deficiency amount is due to the increase in the universe of filers, which can be attributed to changes in income limits, AB 2797 (Machado, Stats. 1998, Ch. 322) and to increases in the claim amounts, SB 1664 (Karnette, Stats. 2000, Ch. 60). The increased costs are primarily for processing and customer service impacts in the call center and at the district offices.

The department does not anticipate a decrease in the volume of future HRA claims. Therefore, the department will be submitting a Budget Change Proposal for the total amount above of \$2.6 million.

ECONOMIC IMPACT

This bill would increase the assistance payment amounts under the HRA program by 45% and return the household income eligibility figures to the 2001 levels prior to the enactment of AB 426. The additional assistance payments that would be associated with this bill would be approximately \$75 million, which is equivalent to the appropriation provided in AB 440 (Cardoza, Stats. 2001, Ch. 197).

LEGISLATIVE STAFF CONTACT

LuAnna Hass
Franchise Tax Board
845-7478

Brian Putler
Franchise Tax Board
845-6333